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SUBJECT: RUDD POPULARITY UNDIMINISHED DESPITE CRITICISM

¶1. (SBU) SUMMARY: The Rudd Government has extended its lead in the polls, despite rising fuel prices, alleged inappropriate conduct by one of its MPs, and criticism of Rudd's approach to economics and foreign affairs. Previous polls had the Coalition trailing badly but closing the gap, which provided hope to Coalition MPs that Rudd's honeymoon was over. Now, however, a June 17 Newspann showing the Australian Labor Party (ALP) increasing its lead by 4 points to 59-41 will reinforce the widespread view that the Coalition cannot be competitive with Brendan Nelson as leader. The Newspann comes a day after another poll showed former Treasurer Peter Costello leading Nelson and Malcolm Turnbull as preferred Opposition leader. END SUMMARY.

RUDD HAS BIG LEAD; COALITION VOTERS WANT COSTELLO

¶2. (U) The Newspann, conducted over June 13-15, had the ALP extending its lead on the two-party preferred vote from 57-43 to 59-41. Rudd increased his lead over Nelson as preferred Prime Minister from 66-17 to 68-13. The previous day, an AC/Nielsen poll indicated that only 17 percent of Coalition voters wanted Nelson as leader, compared with 47 percent for Peter Costello and 28 percent for Malcolm Turnbull (among all voters it was Costello 37, Turnbull 29, and Nelson 19). The AC/Nielsen Poll also found that 67 percent of voters preferred Nelson's proposal to cut the fuel excise, compared with only 22 percent who favored Rudd's FuelWatch scheme. Fifty-six percent of voters were dissatisfied with Rudd's performance on petrol.

UNWELCOME DISTRACTION

¶3. (U) On Sunday June 8, there were media reports that ALP MP Belinda Neal, and her state government minister husband, had abused and threatened staff at a local restaurant. Revelations of similar misbehavior involving Neal fueled the story, distracting attention from Rudd's visit to Japan and Indonesia. Under pressure, Rudd phoned Neal from Japan, ordering her to undergo anger management counseling. He publicly warned that "no one is guaranteed a future in politics."

ELITES HAMMER RUDD

¶4. (U) On Tuesday June 10, Rudd announced in Japan that Toyota would receive \$35 million in taxpayers' money to build a hybrid car in Melbourne. Political and economic commentators attacked the subsidy, particularly after it was revealed that Toyota had planned to build the car in Australia before the subsidy was discussed. Meanwhile, Rudd was also being criticized in the press for what appeared to be hastily conceived foreign policy proposals for a new regional architecture in the Asia Pacific and a new commission to address nuclear proliferation.

MORE PRESSURE ON NELSON

15. (SBU) COMMENT: The Newspoll increases pressure on Nelson, who should not be going backwards in the polls when issues have been running his way. It's possible Nelson's popularity has plateaued at this very low level. Most Coalition MPs appear ready to give Nelson until the end of the year to improve his fortunes, although a poor result for the Coalition in the June 28 Gippsland by-election could speed up that timetable. Coalition voters' preference for Costello is an interesting development. Although not a popular figure during the Howard government, he is a formidable debater with economic credibility and may be seen as a better option than Turnbull, who has polarized the Coalition caucus with his ill-disguised ambition. First term governments are normally reelected in Australia, but Coalition voters may believe a Costello leadership could help ensure a respectable loss, rather than a wipeout. Most political observers, however, including politicians we have spoken to from both parties, expect Costello to retire from parliament during this term.

MCCALLUM